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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000744

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SUBJECT: KEY LEGISLATIVE AND PRESIDENTIAL ELECTIONS TO
SHAPE THE POLITICAL AGENDA IN 2007-2008

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Classified By: AIT Acting Director Robert S. Wang,
Reasons: 1.4 (b/d)

¶1. (C) Summary: Taiwan's top politicians are maneuvering for advantage in the run up to key Legislative Yuan (LY) and presidential elections in late 2007 and early 2008. The opposition Kuomintang (KMT), which now controls the LY through a pan-Blue alliance, is expected to increase its percentage of seats in year-end legislative elections and may well win an outright majority. The presidential race will be hotly contested by the ruling party, the independence-leaning Democratic Progressive Party (DPP), and the KMT, which favors improved cross-Strait relations. The DPP frontrunners, Premier Su Tseng-chang and former Premier Frank Hsieh, and the sole KMT hopeful, Ma Ying-jeou, are all relatively pragmatic. However, the DPP is expected to play up Taiwan identity and independence-related themes in fierce campaigning during the battle for the presidency. End Summary.

¶2. (C) The ruling DPP and opposition KMT have both begun their primary seasons; the two parties are scheduled to announce their presidential candidates at the end of May. The KMT will announce its LY candidates in a series of three tranches during May-June, while the DPP is slated to announce its LY candidate lineup on June 20.

¶3. (C) Specific dates for the LY and presidential elections will not be set until new Central Election Commission (CEC) members take office in June, a CEC official recently told AIT. Most likely, the LY elections will be held in early December 2007 and the presidential election in mid-March ¶2008. There remains a possibility, however, that the LY and presidential elections might be held jointly on January 19, ¶2008. Holding the LY and presidential elections at the same time would save resources and would increase both voter turnout and presidential coattail effects in the LY elections; it might also lead to increased vote buying. Once elected, the new LY will convene in February 2008 and the new president will take office May 20, 2008.

¶4. (C) Together, the LY and presidential elections will determine the overall balance of political power in Taiwan

from 2008-2012, with significant implications both for future cross-Strait and independence-related developments. Under a divided government for the past eight years, the independence-leaning DPP has held the presidency, while the KMT has controlled the legislature through a pan-Blue alliance. Although divided government has resulted in frequent political gridlock in the LY, most famously over arms procurement, it has also enabled the KMT and DPP to check each other on the divisive and sensitive independence-unification issue.

15. (C) Two outcomes are realistically possible for the pair of upcoming LY and presidential elections. The current divided government could continue, with the DPP and KMT retaining their respective control of the presidency and LY. The alternative is that the KMT could sweep the LY and presidential elections, which would create a united government and might lead to closer cross-Strait relations. Two other outcomes are theoretically possible but highly unlikely: a DPP sweep or a DPP LY victory coupled with a KMT presidential win.

KMT Favored in Legislative Elections

16. (C) Sitting and would-be legislators are facing a life-and-death struggle this year as they compete for just half as many seats as in previous elections (113 down from 225). Intense intra-party competition for nominations is stimulating negative campaigning, most apparent now in the DPP where Deep Green extremists are relentless in their attacks on party moderates and reformers. Competition is also expected to intensify within the KMT; the primary contests in some districts pit Mainlander against Taiwanese candidates.

17. (C) Following fundamental changes in the LY election

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system, districts will now elect single instead of multiple representatives, who had often come from different large and small parties (septel). The new system of single representative districts is expected to strengthen the trend toward a two party system (KMT and DPP) and accelerate the ongoing marginalization of the smaller People First Party (PFP) and Taiwan Solidarity Union (TSU). The big beneficiary of the LY election changes will very probably be the KMT, which may well win a clear majority of the 113 LY seats. The changed election system may also reinforce the geographic trend toward a KMT-dominated north Taiwan and a DPP-dominated south Taiwan. The new LY may have fewer radicals than before, which over time could help increase professionalism and productivity.

The Presidential Battle

18. (C) Because the KMT seems to have a clear edge on the LY, the presidential election, which is expected to be close, takes on critical importance for both the KMT and DPP. Weakened by its seven year absence from power and access to administrative resources, the KMT hopes to use the presidency to restore the party's long-term viability. Party leaders, who see the popular Ma Ying-jeou as the KMT's one great hope, fear that another loss this election could doom the party to long-term opposition status or worse. KMT officials believe Ma could quickly disprove the DPP's "poisonous" arguments that the KMT will sell out Taiwan to China and that China is Taiwan's enemy. However, the DPP fears that a united KMT government (presidency and legislature) would compromise Taiwan's interests in its efforts to move closer to China.

19. (C) Acknowledging criticisms that it has achieved little in seven years, the DPP says it needs more time to carry out its reform and pro-independence agendas, including programs to promote the growth of Taiwanese identity. Over the long

term, the DPP hopes to attain majority status by converting ethnic Taiwanese supporters of the KMT into DPP supporters. With a strengthened popular base, the DPP would hope eventually to win control of the legislature, which would make it much easier for a DPP government to implement its programs.

Presidential Hopefuls

¶10. (C) Premier Su Tseng-chang and former Premier Frank Hsieh are frontrunners for the DPP presidential nomination, while the KMT nod seems almost certain to go to former party Chairman Ma Ying-jeou, unless he is seriously weakened by his corruption trial, which begins April 3. (Note: Ma stated publicly over this past weekend that he will run even if convicted in the first trial.) Should Ma falter, LY Speaker Wang Jin-pyng will hope to become the KMT presidential candidate.

¶11. (C) After a year of difficulties stemming from corruption charges against President Chen's family and advisors, DPP morale has rebounded following its relatively strong performances in the December 2006 Taipei and Kaohsiung municipal elections. Ma Ying-jeou's problems, including his corruption indictment, Mainlander orientation, competition with LY Speaker Wang Jin-pyng, and perceived weak leadership have boosted the DPP's confidence that it can beat Ma and the KMT in the 2008 presidential election. Nonetheless, Ma continues to enjoy considerable popular support, the KMT has a strong grassroots organization, and projections based on 2005-2006 local elections show a KMT advantage over the DPP. For these reasons, the outcome of the 2008 presidential election is by no means a given. Although media public opinion polls show Ma well ahead of Su, Hsieh and other DPP candidates, such polls considerably underestimate pan-Green strength. Internal polling commissioned by the Hsieh camp shows a very close gap between either Su or Hsieh and Ma. Of course, no polling at this very early stage can hope to show the situation on election day.

¶12. (C) The high stakes for both parties in the presidential election will lead to fierce campaigning, which is bound to

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intensify in the later stages of the race. In its effort to keep the KMT on the defensive, the DPP is already playing up Taiwan identity issues by promoting a series of campaigns on de-Sinification, de-legitimization of Chiang Kai-shek, drawing up a new constitution, changing the names of government-controlled entities, issuing postage stamps under the name Taiwan, and using the name Taiwan to apply to join the UN. The DPP made effective use of a large-scale demonstration and a referendum to whip up support in 2004, and it may well use similar tactics for the 2008 election. The DPP hopes to schedule a referendum on reclaiming "ill-gotten" KMT party assets together with the presidential election, and it is proposing another referendum on joining the UN under the name Taiwan. The more staid KMT traditionally has difficulty campaigning against the DPP, though it won heavily in the 2005 local elections when it ran on an anti-corruption platform. For the upcoming election, the KMT may highlight good governance and economic performance issues, including cross-Strait economic relations, trying to paint the DPP as incompetent and corrupt.

¶13. (C) In addition to the presidential candidates themselves, President Chen is an important factor in this election. Chen has a personal interest in the outcome of this election since he has been informed that he might be prosecuted for corruption after he leaves the office that provides him presidential immunity. Chen will have better options, including a possible presidential pardon for himself or his wife, if the DPP remains in power. Currently, Chen is leading the DPP's efforts to select the candidate with the

strongest prospect of winning the 2008 presidential election.

While public and media attention will tend to focus on the candidate once nominated, most observers expect President Chen to continue playing a quite active role during the campaign, especially with Deep Green supporters and in southern Taiwan.

¶14. (C) Su, Hsieh, and Ma are all relatively pragmatic and cautious and, if elected president, should be able to avoid actions that might provoke cross-Strait tensions or cause domestic turmoil over the independence-unification issue. The KMT promises to improve cross-Strait relations if it returns to power in 2008, and cross-Strait friction would probably decrease compared to the situation under the pro-independence DPP government. If the KMT wins the presidency, the DPP will have significantly less leverage than the KMT has now in opposition because it will not have control of the legislature. To counter the KMT, the DPP might resort to sometimes disruptive protest activities, including in the LY. If the DPP wins the presidency, the two parties will continue to check each other as they do now, which reduces government efficiency, but also inhibits a DPP president's ability to pursue a pro-independence agenda. Because President Chen's strategy of trying to lead from a minority position in the LY has failed disastrously, a DPP successor might try to form some type of alliance with non-DPP legislators to achieve an LY majority.

WANG